

Message Text

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ACTION NEA-12

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 PA-03 PRS-01 USIA-15 NSC-10

SS-15 STR-08 CEA-02 RSR-01 /141 W

----- 028429

R 071334Z AUG 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6051

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 9158

DEPT. PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: INDIAN PRESS REACTION TO JULY 30-31 COMMITTEE OF TWENTY
MINISTERIAL

SUMMARY. INDIANS SEEM TO BELIEVE THAT DEVELOPED COUNTRIES ARE
MAKING PROGRESS ON MAJOR ISSUES BEFORE C-20, BUT ARE DISAPPOINTED
THAT PROGRESS ON SDR-AID LINK IS NOT KEEPING PACE. END SUMMARY.

1. AT AUGUST 3 PLANESIDE NEWS CONFERENCE FOLLOWING RETURN TO DELHI
FROM C-20 MINISTERIAL, FINANCE MINISTER CHAVAN MADE THE FOLLOWING
POINTS:

A. HE HOPED A FINAL OUTLINE OF A REFORMED INTERNATIONAL
MONETARY SYSTEM COULD BE EVOLVED BY END-SEPTEMBER,
1973, AND THAT IT MIGHT BE POSSIBLE TO PUT THE NEW
MONETARY WORLD ORDER INTO EFFECT BY END-SEPTEMBER, 1974.

CHAVAN'S CAUTIOUS OPTIMISM WAS TEMPERED BY THE
OBSERVATION THAT THE JULY 30-31 MEETING HAD FAILED

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TO MAKE PROGRESS ON SOME OF THE BASIC ISSUES RELATED

TO INTERNATIONAL MONETARY REFORM (I.E. SDR-AID LINK).

B. DEFINITE PROGRESS HAD BEEN MADE WITH REGARD TO THE ADJUSTMENT MECHANISM AND CONVERTIBILITY. CHAVAN NOTED THAT BOTH THE U.S. AND FRANCE HAD MADE CONCESSIONS.

C. THERE WAS A "GENERAL INTELLECTUAL ACCEPTANCE" THAT GOLD SHOULD BE PHASED OUT OF THE SYSTEM. HOWEVER, PRACTICAL ASPECTS OF THIS PROBLEM AS WELL AS HOW THE SDR IS TO BE MOVED TO THE CENTER OF THE REFORMED SYSTEM REMAIN TO BE WORKED OUT.

D. THERE IS STILL OPPOSITION TO AN SDR-AID LINK FROM THE U.S., AND TO A LESSER EXTENT FROM JAPAN AND GERMANY. CHAVAN SAID THAT DURING THE MEETING OF THE GROUP OF 24 HELD JUST PRIOR TO THE C-20 DISCUSSIONS THE DEVELOPING COUNTRIES HAD AGREED TO PUSH FOR DIRECT ALLOCATIONS OF SDRS INSTEAD OF ALLOCATIONS THROUGH INTERNATIONAL FINANCIAL INSTITUTIONS.

2. IN ANSWER TO A QUESTION, MANMOHAN SINGH, CHIEF ECONOMIC ADVISER TO THE GOI, IS REPORTED TO HAVE DESCRIBED INDIA'S FOREIGN EXCHANGE POSITION AS "QUITE COMFORTABLE." CHAVAN NOTED THAT INDIA'S IMF POSITION CONSTITUTED A SECOND LINE OF RESERVES AND THAT " IF IT IS NECESSARY WE WILL MAKE USE OF IT."

3. TO DATE THREE NEWSPAPERS HAVE COMMENTED EDITORIALY ON C-20 MEETING.

A. ECONOMIC TIMES OF AUGUST 3 NOTED THAT THERE WAS "OVERWHELMING SUPPORT " FOR THE SDR-LINK PROPOSAL IN THE C-20, ALTHOUGH A "FEW DEVELOPED COUNTRIES STILL OPPOSED...THE LINK." EDITORIAL CONTINUED "IN ANY CASE IT IS CLEAR THAT A LINK OF SOME TYPE WILL HAVE TO BE WRITTEN INTO ANY MONETARY REFORM PLANS TO OBTAIN THE SUPPORT OF THE DEVELOPING COUNTRIES FOR A FINAL REFORM PACKAGE."

B. HINDUSTAN TIMES OF AUGUST 6 STATED THAT MAJOR ISSUES BEFORE C-20 SUCH AS ADJUSTMENT MECHANISM, CONVERTIBILITY, EXCHANGE RATE MECHANISM AND MODALITIES OF SDRS ARE "RELATIVELY REMOTE FROM THE PREOCCUPATIONS OF DEVELOPING COUNTRIES." EDITORIAL SAID THAT LITTLE

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PROGRESS HAD BEEN MADE "ON THE ONE QUESTION OF VITAL INTEREST" TO LDCS, I.E., THE SDR-AID LINK.

C. STATESMAN OF AUGUST 7 INDICATED THAT WHILE CONSIDERABLE PROGRESS HAD BEEN MADE ON ADJUSTMENT AND CONVERTIBILITY AT THE JULY MEETING, IT WAS NOT CLEAR WHETHER THE DEPUTIES WOULD BE ABLE TO MAKE ENOUGH PROGRESS ON THE REMAINING ISSUES SO THAT A DRAFT OUTLINE OF REFORM CAN BE SUBMITTED AT THE NAIROBI MEETING. FOREMOST AMONG THESE WAS THE

SDR-AID LINK," ON WHICH THERE WERE NO SIGNIFICANT DEVELOPMENTS IN WASHINGTON." THE EDITORIAL CONCLUDES "THE QUESTION IS WHETHER THE DEVELOPING COUNTRIES WILL BLOCK THE WHOLE PACKAGE IF THEY ARE DISSATISFIED WITH WHAT IT DOES FOR THEM. HOWEVER, THEIR VOTING STRENGTH IN THE FUND IS LIMITED AND THEY ARE JUST AS BADLY AFFECTED BY THE MONETARY CRISIS AS THE RICH COUNTRIES AND STAND TO PAY A HEAVY PRICE FOR ANY DELAY IN REFORMS. THE RICH COUNTRIES ARE AWARE OF THIS AND WILL TRY AND FOB OFF THE POOR BY SOME VAGUE COMMITMENT ON THE TRANSFER OF RESOURCES. REMINDERS OF HOW SHORT-SIGHTED THEY ARE BEING APPEAR TO BE OF NO AVAIL."MOYNIHAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 07 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE09158
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730853/aaaabnax.tel
Line Count: 127
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 07 SEP 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Sep-2001 by reddocgw>; APPROVED <11 FEB 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDIAN PRESS REACTION TO JULY 30-31 COMMITTEE OF TWENTY MINISTERIAL
TAGS: EFIN, IN
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005